

**IOWA FALLS
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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IOWA FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board Of Education

(Before September 2010 Meeting)

T. J. Norman	President	2011
Shane Krukow	Vice President	2011
Elaine Loring		2011
Todd Bicknese		2013
Deanna Krause		2013

(After September 2010 Meeting)

T. J. Norman	President	2011
Todd Bicknese	Vice President	2013
Elaine Loring		2011
Shane Krukow		2011
Deanna Krause		2013

School Officials

Dr. John Robbins	Superintendent
Trish Lee	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Iowa Falls Community School District, Iowa Falls Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

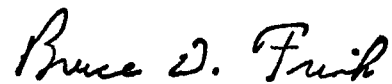
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Iowa Falls Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2012 on our consideration of Iowa Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2007 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 5, 2012

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,550,685 in fiscal 2010 to \$11,190,240 in fiscal 2011 (a six percent increase), while General Fund expenditures increased from \$10,487,991 in fiscal 2010 to \$10,711,240 in fiscal 2011 (a 2% increase).
- The increase in General Fund revenues was primarily attributable to the restoration of state source revenues. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The unreserved General Fund balance increased as revenues exceeded expenses.
- The District continues its whole grade sharing agreement with Alden Community School District.
- The District's solvency ratio increased from 10.8% to 14.3%. This is an indicator of the financial health of the District. 10% is a commonly recommended goal.
- The District's resident enrollment decreased by 10.3 students. Students served in the District decreased by 14.2 students. The District is able to claim partial weighting for a four year old preschool program approved by the Department of Education, though that weighting decreased from .6 to .5 per student.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Iowa Falls Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Iowa Falls Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Iowa Falls Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds and a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Iowa Falls Community School District Annual Financial Report

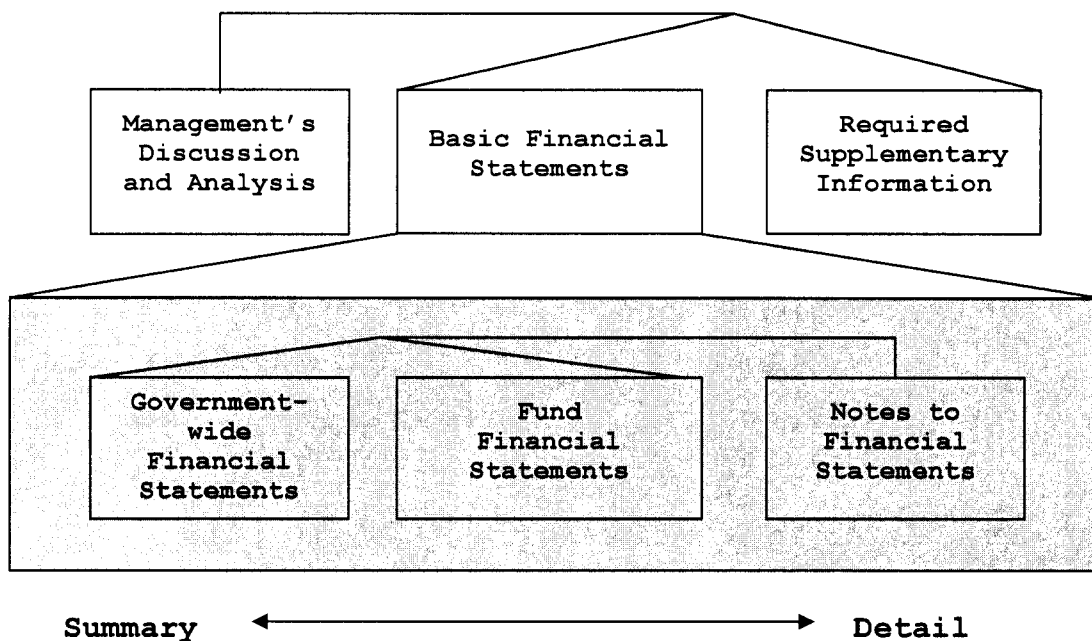


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and day care programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. the District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a state of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's *Enterprise Funds*, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to year ended June 30, 2010.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 7,859	7,420	80	44	7,939	7,464	6.36%
Capital assets	6,787	6,928	25	31	6,812	6,959	-2.11%
Total assets	<u>14,646</u>	<u>14,348</u>	<u>105</u>	<u>75</u>	<u>14,751</u>	<u>14,423</u>	<u>2.27%</u>
Current liabilities	5,144	5,081	8	7	5,152	5,088	1.26%
Non-current liabilities	648	1,433	-	-	648	1,433	-54.78%
Total liabilities	<u>5,792</u>	<u>6,514</u>	<u>8</u>	<u>7</u>	<u>5,800</u>	<u>6,521</u>	<u>-11.06%</u>
Net Assets							
Invested in capital assets, net of related debt	6,512	6,043	31	31	6,543	6,074	7.72%
Nonspendable	20	-	-	-	20	-	100.00%
Restricted	663	632	-	-	663	632	4.91%
Unrestricted	1,659	1,159	66	37	1,725	1,196	44.23%
Total net assets	<u>\$ 8,854</u>	<u>7,834</u>	<u>97</u>	<u>68</u>	<u>8,951</u>	<u>7,902</u>	<u>13.28%</u>

The District's net assets increased by over 13%. Unrestricted net assets grew by over \$500,000 due to an increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,148	1,043	268	279	1,416	1,322	7.11%
Operating grants, contributions and restricted interest	2,298	2,575	276	258	2,574	2,833	-9.14%
General revenues:							
Property tax	4,014	3,653	-	-	4,014	3,653	9.88%
Income surtax	407	558	-	-	407	558	-27.06%
Statewide sales, services and use tax	818	711	-	-	818	711	15.05%
Unrestricted state grants	4,250	3,678	-	-	4,250	3,678	15.55%
Unrestricted investment earnings	20	26	-	-	20	26	-23.08%
Other	94	22	-	-	94	22	327.27%
Total revenues	<u>13,049</u>	<u>12,266</u>	<u>544</u>	<u>537</u>	<u>13,593</u>	<u>12,803</u>	<u>6.17%</u>
Program expenses:							
Governmental activities:							
Instruction	7,483	7,783	-	-	7,483	7,783	-3.85%
Support services	3,362	3,111	-	-	3,362	3,111	8.07%
Non-instructional programs	1	1	515	497	516	498	3.61%
Other expenses	<u>1,183</u>	<u>1,280</u>	<u>-</u>	<u>-</u>	<u>1,183</u>	<u>1,280</u>	<u>-7.58%</u>
Total expenses	<u>12,029</u>	<u>12,175</u>	<u>515</u>	<u>497</u>	<u>12,544</u>	<u>12,672</u>	<u>-1.01%</u>
Change in net assets	<u>\$ 1,020</u>	<u>91</u>	<u>29</u>	<u>40</u>	<u>1,049</u>	<u>131</u>	<u>700.76%</u>

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$13,049,463 and expenses were \$12,029,630 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 7,483	7,783	-3.85%	4,700	4,854	-3.17%
Support services	3,362	3,111	8.07%	3,217	2,966	8.46%
Non-instructional programs	1	1	0.00%	1	1	0.00%
Other expenditures	1,183	1,280	-7.58%	666	735	-9.39%
Totals	\$ 12,029	12,175	-1.20%	8,584	8,556	0.33%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,147,598.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,359,990. This was a large decrease due to Recovery Act money being received in FY10. Much of this was replaced by restorations of state aid.
- The net cost of governmental activities was financed with \$4,013,585 in property tax and \$4,250,203 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$543,473 and expenses totaled \$514,876. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Both funds showed increases in fund balance during the current year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Iowa Falls Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,280,139, twenty percent above last year's ending fund balances of \$1,903,507.

This was primarily due to the increase in the General Fund.

Governmental Fund Highlights

- The District increased its General Fund balance by watching expenses closely and exploring alternative sources of revenues.
- The District completed several infrastructure projects that will enhance the District facilities.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues and cost control measures. The District has attempted to maintain prices at a reasonable level. The Day Care Fund also increased due to cost containment measures.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 36 and 37.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$130,000 more than the total budgeted receipts. The most significant change resulted in the District receiving over \$300,000 dollars more in local source revenue than expected.

Total expenditures were over \$747,000 less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did not exceed the published budget in any of the four functions. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District has invested more than \$6.8 million, net of accumulated depreciation in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$493,000.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2011	2010	2011	2010	2011	2010	2010-2011	
Land	\$ 128	128	-	-	128	128	0.00%
Land improvements	159	148	-	-	159	148	7.43%
Buildings	5,741	5,738	-	-	5,741	5,738	0.05%
Furniture and equipment	759	914	25	31	784	945	-17.04%
Totals	<u>\$ 6,787</u>	<u>6,928</u>	<u>25</u>	<u>31</u>	<u>6,812</u>	<u>6,959</u>	<u>-2.11%</u>

Long - Term Debt

The District has \$275,000 of general obligation bonds that will fully mature in 2012. The interest rates on this debt is 3.15%. Payments are made from a property tax levy approved by voters of the District.

The District fully retired its revenue bonds in FY11 with proceeds of the one cent statewide sales, services and use tax.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 275	605	-54.55%
Net OPEB liability (see note 9)	66	43	53.49%
Early retirement	307	505	-39.21%
Revenue bonds	-	280	-100.00%
Total	\$ 648	1,433	-54.78%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District continues a two way sharing agreement with Alden Community School District. Continuation of this agreement will continue to assist the District.
- In adequate allowable growth continues to make it difficult to balance the General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Lee, District Secretary, Iowa Falls Community School District, 710 North Street, Iowa Falls, IA 50126.

Basic Financial Statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,027,806	65,917	3,093,723
Receivables:			
Property tax:			
Current year	42,105	-	42,105
Succeeding year	3,842,501	-	3,842,501
Income surtax	436,355	-	436,355
Due from other governments	423,230	-	423,230
Other receivables	67,022	1	67,023
Inventories	-	13,268	13,268
Prepaid expenses	20,020	-	20,020
Capital assets, net of accumulated depreciation	6,786,957	25,128	6,812,085
Total assets	<u>14,645,996</u>	<u>104,314</u>	<u>14,750,310</u>
Liabilities			
Accounts payable	146,750	3,111	149,861
Accrued salary and benefits	1,039,083	-	1,039,083
Accrued interest payable	1,444	-	1,444
Unearned revenues	-	4,485	4,485
Deferred revenue:			
Succeeding year property tax	3,842,501	-	3,842,501
Federal programs	114,211	-	114,211
Long term liabilities:			
Portion due within one year:			
Early retirement	168,496	-	168,496
General obligation bonds	275,000	-	275,000
Portion due after one year:			
Early retirement	138,846	-	138,846
Net OPEB liability	65,554	-	65,554
Total liabilities	<u>5,791,885</u>	<u>7,596</u>	<u>5,799,481</u>
Net assets			
Invested in capital assets, net of related debt	6,511,957	25,128	6,537,085
Nonspendable	20,020	-	20,020
Restricted for:			
Categorical funding	182,302	-	182,302
Student activity fund	121,279	-	121,279
Management fund	44,084	-	44,084
School infrastructure	304,162	-	304,162
Physical plant and equipment levy	1,005	-	1,005
Debt service	10,398	-	10,398
Unrestricted	1,658,904	71,590	1,730,494
Total net assets	<u>\$ 8,854,111</u>	<u>96,718</u>	<u>8,950,829</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 7,483,824	1,011,234	1,772,226	(4,700,364)	-	(4,700,364)
Support services:						
Student services	345,037	-	-	(345,037)	-	(345,037)
Instructional staff services	546,161	-	-	(546,161)	-	(546,161)
Administration services	1,156,241	133,146	-	(1,023,095)	-	(1,023,095)
Operation and maintenance of plant services	913,169	-	9,020	(904,149)	-	(904,149)
Transportation services	401,524	3,218	-	(398,306)	-	(398,306)
	3,362,132	136,364	9,020	(3,216,748)	-	(3,216,748)
Non-instructional programs:						
Community service operations	977	-	-	(977)	-	(977)
Other expenditures:						
Interest on long-term debt	21,393	-	740	(20,653)	-	(20,653)
Long-term debt services	350	-	-	(350)	-	(350)
Facilities acquisition and construction	267,588	-	60,305	(207,283)	-	(207,283)
AEA flowthrough	455,726	-	455,726	-	-	-
Depreciation (unallocated)*	437,640	-	-	(437,640)	-	(437,640)
	1,182,697	-	516,771	(665,926)	-	(665,926)
Total governmental activities	12,029,630	1,147,598	2,298,017	(8,584,015)	-	(8,584,015)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Food service operations	501,937	248,092	275,421	21,576
Community service and education	12,939	19,960	-	7,021
	514,876	268,052	275,421	28,597
Total	\$ 12,544,506	1,415,650	2,573,438	(8,555,418)
General Revenues:				
Property tax levied for:				
General purposes			\$ 3,321,227	3,321,227
Management fund			298,682	298,682
Capital outlay			94,827	94,827
Debt service			298,849	298,849
Income surtax			406,897	406,897
Statewide sales, services and use tax			818,150	818,150
Unrestricted state grants			4,250,203	4,250,203
Unrestricted investment earnings			20,491	20,491
Other			94,522	94,522
Total general revenues			9,603,848	9,603,848
Change in net assets			1,019,833	1,048,430
Net assets beginning of year			7,834,278	7,902,399
Net assets end of year			\$ 8,854,111	8,950,829

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Assets									
Cash and pooled investments	\$ 2,671,615	119,810	39,350	189,580	53		7,398		3,027,806
Receivables:									
Property tax:									
Current year	35,005	-	3,148	-	952		3,000		42,105
Succeeding year	3,238,416	-	290,900	-	95,327		217,858		3,842,501
Income surtax	436,355	-	-	-	-		-		436,355
Due from other governments	289,406	-	-	133,824	-		-		423,230
Other receivables	62,033	3,257	1,586	146	-		-		67,022
Prepaid expenses	20,020	-	-	-	-		-		20,020
Total assets	\$ 6,752,850	123,067	334,984	323,550	96,332		228,256		7,859,039

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Liabilities and Fund Balances

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Liabilities:									
Accounts payable	\$ 125,574	1,788	-	19,388	-			-	146,750
Accrued salary and benefits	1,039,083	-	-	-	-			-	1,039,083
Deferred revenue:									
Succeeding year property tax	3,238,416	-	290,900	-	95,327			217,858	3,842,501
Income surtax	436,355	-	-	-	-			-	436,355
Federal programs	114,211	-	-	-	-			-	114,211
Total liabilities	4,953,639	1,788	290,900	19,388	95,327			217,858	5,578,900
Fund balances:									
Nonspendable	20,020	-	-	-	-			-	20,020
Restricted for:									
Categorical funding	182,302	-	-	-	-			-	182,302
Student activities	-	121,279	-	-	-			-	121,279
Management levy	-	-	44,084	-	-			-	44,084
School infrastructure	-	-	-	304,162	-			-	304,162
Physical plant and equipment levy	-	-	-	-	1,005			-	1,005
Debt service	-	-	-	-	-			10,398	10,398
Unassigned	1,596,889	-	-	-	-			-	1,596,889
Total fund balances	1,799,211	121,279	44,084	304,162	1,005			10,398	2,280,139
Total liabilities and fund balances	\$ 6,752,850	123,067	334,984	323,550	96,332			228,256	7,859,039

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 2,280,139
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	436,355
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,786,957
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,444)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (307,342)	
Net OPEB liability	(65,554)	
General obligation bonds payable	<u>(275,000)</u>	<u>(647,896)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 8,854,111</u>
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IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 3,734,735	-	298,682	818,150	94,827		298,849	5,245,243	
Tuition	1,011,234	-	-	-	-		-	1,011,234	
Other	403,796	279,656	8,537	35,305	228		551	728,073	
State sources	5,529,832	-	195	-	60		189	5,530,276	
Federal sources	510,643	-	-	25,000	-		-	535,643	
Total revenues	11,190,240	279,656	307,414	878,455	95,115		299,589	13,050,469	
Expenditures:									
Instruction	7,160,111	289,071	190,729	18,606	-		-	7,658,517	
Support services:									
Student services	345,037	-	-	-	-		-	345,037	
Instructional staff services	438,614	-	20,505	177,122	-		-	636,241	
Administration services	1,138,880	-	17,361	-	-		-	1,156,241	
Operation and maintenance of plant services	838,414	-	74,755	-	-		-	913,169	
Transportation services	333,481	-	17,862	-	34,500		-	385,843	
	3,094,426	-	130,483	177,122	34,500		-	3,436,531	
Non-instructional programs:									
Community service operations	977	-	-	-	-		-	977	

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Other expenditures:									
Long-term debt:									
Principal	-	-	-	-	-		610,000	610,000	
Interest	-	-	-	-	-		27,523	27,523	
Services	-	-	-	-	-		350	350	
Facilities acquisition and construction	-	-	-	349,818	140,000		-	489,818	
AEA flowthrough	455,726	-	-	-	-		-	455,726	
	455,726	-	-	349,818	140,000		637,873	1,583,417	
Total expenditures	10,711,240	289,071	321,212	545,546	174,500		637,873	12,679,442	
	479,000	(9,415)	(13,798)	332,909	(79,385)		(338,284)	371,027	
Excess (deficiency) of revenues over (under) expenditures									
Other financing sources (uses):									
Sale of equipment and property	5,605	-	-	-	-		-	5,605	
Operating transfers in	-	-	-	-	-		338,960	338,960	
Operating transfers out	-	-	-	(338,960)	-		-	(338,960)	
	5,605	-	-	(338,960)	-		338,960	5,605	
Net change in fund balances	484,605	(9,415)	(13,798)	(6,051)	(79,385)		676	376,632	
Fund balances beginning of year	1,314,606	130,694	57,882	310,213	80,390		9,722	1,903,507	
Fund balances end of year	\$ 1,799,211	121,279	44,084	304,162	1,005		10,398	2,280,139	

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 376,632

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change in income surtax receivable from the prior fiscal year. (6,611)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 346,810	
Depreciation expense	<u>(487,821)</u>	(141,011)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,130

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	197,407	
Other postemployment benefits	<u>(22,714)</u>	174,693

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 610,000

Change in net assets of governmental activities (Exhibit B) \$ 1,019,833

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 62,927	2,990	65,917
Other receivables	1	-	1
Inventories	13,268	-	13,268
Capital assets, net of accumulated depreciation	25,128	-	25,128
Total assets	<u>101,324</u>	<u>2,990</u>	<u>104,314</u>
Liabilities			
Accounts payable	3,111	-	3,111
Unearned revenues	4,485	-	4,485
Total liabilities	<u>7,596</u>	<u>-</u>	<u>7,596</u>
Net assets			
Invested in capital assets	25,128	-	25,128
Unrestricted	68,600	2,990	71,590
Total net assets	<u>\$ 93,728</u>	<u>2,990</u>	<u>96,718</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 248,092	19,960	268,052
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	159,031	-	159,031
Benefits	58,723	-	58,723
Services	11,796	-	11,796
Supplies	266,575	-	266,575
Depreciation	5,812	-	5,812
	<u>501,937</u>	<u>-</u>	<u>501,937</u>
Other enterprise operations:			
Salaries	-	10,004	10,004
Benefits	-	1,683	1,683
Supplies	-	1,252	1,252
	<u>-</u>	<u>12,939</u>	<u>12,939</u>
Total operating expenses	<u>501,937</u>	<u>12,939</u>	<u>514,876</u>
Operating income (loss)	<u>(253,845)</u>	<u>7,021</u>	<u>(246,824)</u>
Non-operating revenues:			
Interest on investments	14	-	14
State sources	5,024	-	5,024
Federal sources	270,383	-	270,383
	<u>275,421</u>	<u>-</u>	<u>275,421</u>
Change in fund net assets	21,576	7,021	28,597
Net assets beginning of year	<u>72,152</u>	<u>(4,031)</u>	<u>68,121</u>
Net assets end of year	<u>\$ 93,728</u>	<u>2,990</u>	<u>96,718</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 248,423	19,960	268,383
Cash payments to employees for services	(217,754)	(11,687)	(229,441)
Cash payments to suppliers for goods or services	(235,547)	(1,252)	(236,799)
Net cash provided by (used by) operating activities	(204,878)	7,021	(197,857)
Cash flows from non-capital financing activities:			
State grants received	5,024	-	5,024
Federal grants received	229,226	-	229,226
Net cash provided by non-capital financing activities	234,250	-	234,250
Cash flows from capital financing activities:			
Payable to General Fund	-	(4,031)	(4,031)
Cash flows from investing activities:			
Interest on investments	14	-	14
Net increase in cash and cash equivalents	29,386	2,990	32,376
Cash and cash equivalents beginning of year	33,541	-	33,541
Cash and cash equivalents end of year	\$ 62,927	2,990	65,917
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (253,845)	7,021	(246,824)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	5,812	-	5,812
Commodities used	41,157	-	41,157
Decrease in other receivables	249	-	249
(Increase) in inventory	1,373	-	1,373
(Decrease) in accounts payable	294	-	294
(Decrease) in unearned revenue	82	-	82
	(204,878)	7,021	(197,857)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$41,157.

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trusts	Agency
Assets		
Cash and pooled investments	\$ 23,640	19,771
Liabilities		
Other payables	-	19,771
Net Assets		
Reserved for special purposes	\$ 23,640	-

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,914
Interest income	<u>519</u>
Total additions	<u>4,433</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,980
Supplies	<u>-</u>
Total deductions	<u>4,980</u>
Change in net assets	<u>(547)</u>
Net assets beginning of year	<u>24,187</u>
Net assets end of year	<u><u>\$ 23,640</u></u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Iowa Falls, Iowa, and agricultural area in Hardin and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Falls Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Iowa Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Service and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Day Care Funds. These funds are used to account for the food service and day care operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	75,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenue.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified used by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,358	-	-	128,358
Capital assets being depreciated:				
Land Improvements	767,752	23,300	-	791,052
Buildings	9,970,778	198,930	-	10,169,708
Furniture and Equipment	3,933,025	124,580	-	4,057,605
Total capital assets being depreciated	14,671,555	346,810	-	15,018,365
Less accumulated depreciation for:				
Land Improvements	619,779	12,087	-	631,866
Buildings	4,232,762	195,978	-	4,428,740
Furniture and Equipment	3,019,404	279,756	-	3,299,160
Total accumulated depreciation	7,871,945	487,821	-	8,359,766
Total capital assets being depreciated, net	6,799,610	(141,011)	-	6,658,599
Governmental activities, capital assets, net	\$ 6,927,968	(141,011)	-	6,786,957
Business type activities:				
Furniture and equipment	\$ 85,297	-	-	85,297
Less accumulated depreciation	54,357	5,812	-	60,169
Business type activities capital assets, net	\$ 30,940	(5,812)	-	25,128
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 50,181
Unallocated				437,640
				<u>\$ 487,821</u>
Business Type activities:				
Food service operations				<u>\$ 5,812</u>

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2011 are as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Net OPEB Liability	\$ 42,840	22,714	-	65,554	-
Early Retirement	504,749	18,897	216,304	307,342	168,496
General Obligation Bonds	605,000	-	330,000	275,000	275,000
Revenue Bonds	<u>280,000</u>	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,432,589</u>	<u>41,611</u>	<u>826,304</u>	<u>647,896</u>	<u>443,496</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	3.15%	<u>\$8,663</u>	<u>275,000</u>	<u>283,663</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$431,075, \$424,075, and \$402,365 respectively, equal to the required contributions for each year.

(6) Risk Management

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$455,726 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$338,960</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 142 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$158,000
Interest on net OPEB obligation	1,714
Adjustment to annual required contribution	-
Annual OPEB cost	<u>159,714</u>
Contributions made	<u>137,000</u>
Increase in net OPEB obligation	<u>22,714</u>
Net OPEB obligation beginning of year	<u>42,840</u>
Net OPEB obligation end of year	<u>\$ 65,554</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$137,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$158,000	86.7%	\$21,000
June 30, 2010	\$158,840	86.3%	\$42,840
June 30, 2011	\$159,714	85.8%	\$65,554

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,676,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,676,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,334,000 and the ratio of the UAAL to covered payroll was 26.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$702 per month for retirees less than age 65 and \$136 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	80,390
Change in fund type classification per implementation of GASB Statement No. 54	<u>80,390</u>	<u>(80,390)</u>
Balances July 1, 2010, as restated	<u>\$80,390</u>	<u>-</u>

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
	Actual	Actual				
Revenues						
Local sources	\$ 6,984,550	268,066	7,252,616	6,889,704	6,889,704	362,912
State sources	5,530,276	5,024	5,535,300	6,012,978	6,012,978	(477,678)
Federal sources	535,643	270,383	806,026	559,277	559,277	246,749
Total revenues	<u>13,050,469</u>	<u>543,473</u>	<u>13,593,942</u>	<u>13,461,959</u>	<u>13,461,959</u>	<u>131,983</u>
Expenditures/Expenses:						
Instruction	7,658,517	-	7,658,517	8,241,467	8,241,467	582,950
Support services	3,436,531	-	3,436,531	3,462,078	3,462,078	25,547
Non-instructional programs	977	514,876	515,853	561,412	561,412	45,559
Other expenditures	1,583,417	-	1,583,417	1,676,779	1,676,779	93,362
Total expenditures/expenses	<u>12,679,442</u>	<u>514,876</u>	<u>13,194,318</u>	<u>13,941,736</u>	<u>13,941,736</u>	<u>747,418</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	371,027	28,597	399,624	(479,777)	(479,777)	879,401
Other financing sources (uses)	<u>5,605</u>	<u>-</u>	<u>5,605</u>	<u>-</u>	<u>-</u>	<u>5,605</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	376,632	28,597	405,229	(479,777)	(479,777)	885,006
Balance beginning of year	<u>1,903,507</u>	<u>68,121</u>	<u>1,971,628</u>	<u>1,896,224</u>	<u>1,896,224</u>	<u>75,404</u>
Balance end of year	<u>\$ 2,280,139</u>	<u>96,718</u>	<u>2,376,857</u>	<u>1,416,447</u>	<u>1,416,447</u>	<u>960,410</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	\$0	\$1,676	\$1,676	0.0%	\$6,262	26.8%
2010	Jul 1, 2008	\$0	\$1,676	\$1,676	0.0%	\$6,472	25.9%
2011	Jul 1, 2008	\$0	\$1,676	\$1,676	0.0%	\$6,334	26.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Activity Tickets	\$ 897	15,500	16,397	-
HS Musical Theatre	12,646	2,442	2,945	12,143
HS Speech	-	506	506	-
HS Vocal	2,360	260	430	2,190
HS Band	216	2,533	2,749	-
HS Athletics Misc	7,545	15,679	20,932	2,292
HS Athletics Supplies	(568)	3,925	3,356	1
MS Cross Country	32	-	-	32
Boys Basketball	1,917	11,351	11,105	2,163
Football	2,577	33,347	35,924	-
Soccer	(4,934)	4,287	2,732	(3,379)
Baseball	(292)	9,363	9,070	1
Boys Track	506	4,763	5,269	-
Boys Cross Country	-	825	825	-
Boys Tennis	50	70	120	-
Boys Golf	32	953	985	-
Wrestling	2,579	4,217	1,812	4,984
HS Cheerleaders	695	-	54	641
HS Drill Team	2,883	1,400	821	3,462
Girls Basketball	120	10,223	10,343	-
Volleyball	1,461	8,431	9,183	709
Girls Softball	553	9,740	7,969	2,324
Girls Track	(279)	5,446	5,167	-
Girls Cross Country	-	1,621	1,621	-
Girls Tennis	-	430	430	-
Girls Golf	-	629	629	-
Resale - HS Band	-	285	285	-
HS Band Uniform Maintenance	5,084	422	3,171	2,335
Resale - Elementary Band	844	524	-	1,368
Resale - MS Band	1,166	496	98	1,564
RR - Lion's Lead Dog Account	3,351	3,987	3,066	4,272
Elementary Vocal Account	1,400	2,717	2,713	1,404
Pineview School	22,954	17,577	21,289	19,242
Rock Run School	19,826	10,299	16,672	13,453
HS - SADD Account	36	-	-	36
MS - LIFE Girls Group	1,607	2,050	1,418	2,239
MS - Science Club	711	1,000	2,248	(537)
MS - Student Council	7,939	13,639	16,714	4,864
MS - Rachel's Challenge	38	-	-	38
HS - SCI	156	2,615	696	2,075
HS - Tshirt Account	3,262	5,955	5,418	3,799
HS Marketing Club	490	-	-	490
HS Future Homemakers	17	-	-	17
HS Future Nurses	125	-	-	125

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Natl Honor Society	\$ -	429	429	-
HS Art Club	695	600	290	1,005
HS Future Farmers of America	(1,863)	13,607	12,627	(883)
HS Student Council	2,805	843	1,318	2,330
HS Class of 2010	313	-	-	313
HS International Club	424	509	677	256
HS HEARTS Class	1,111	-	135	976
HS Speech Club Individual	7,763	615	428	7,950
HS Math Club	181	602	959	(176)
HS Class of 2011	3,660	-	1,259	2,401
HS Class of 2012	268	12,262	10,330	2,200
HS Class of 2013	-	2,964	999	1,965
HS Popcorn Fund	2,683	15,102	14,149	3,636
HS Yearbook	11,594	22,266	19,574	14,286
Local Revenue - Interest	1,058	350	735	673
	<u>\$ 130,694</u>	<u>279,656</u>	<u>289,071</u>	<u>121,279</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 18,342	11,515	10,086	19,771
Liabilities				
Other payables	\$ 18,342	11,515	10,086	19,771

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 5,245,243	4,863,060	4,425,507	4,205,049	4,131,910	3,797,258	3,947,659	3,429,851	3,453,720	3,353,022
Tuition	1,011,234	882,724	941,463	909,851	920,235	778,711	697,387	302,960	301,391	261,691
Other	728,073	604,529	650,422	658,951	857,693	845,315	529,728	429,504	407,221	439,508
State sources	5,530,276	4,926,308	5,763,655	5,490,019	5,298,716	4,908,993	4,558,433	4,320,386	4,447,239	4,313,227
Federal sources	535,643	927,357	407,506	225,053	271,055	272,801	277,022	225,561	252,726	219,563
Total	\$ 13,050,469	12,203,978	12,188,553	11,488,923	11,479,609	10,603,078	10,010,229	8,708,262	8,862,297	8,587,011
Expenditures:										
Instruction	\$ 7,658,517	7,467,313	7,377,668	7,191,448	6,913,178	6,485,458	6,417,976	5,620,739	5,771,111	5,699,220
Support services:										
Student	345,037	380,930	373,982	304,984	278,966	266,983	75,269	76,568	194,857	209,236
Instructional staff	636,241	397,460	497,609	395,379	305,138	305,943	184,432	208,303	201,590	202,067
Administration	1,156,241	1,122,720	1,116,906	1,082,225	1,074,310	1,014,899	920,556	822,277	740,894	695,872
Operation and maintenance										
of plant	913,169	929,912	899,916	783,178	789,718	713,783	650,725	644,017	592,275	552,612
Transportation	385,843	397,400	310,987	394,148	306,386	347,992	243,628	210,146	290,524	265,173
Non-instructional programs	977	1,305	1,428	2,215	22,825	21,368	12,210	1,213	1,220	506
Other expenditures:										
Facilities acquisition	489,818	477,005	1,324,071	874,342	1,040,110	424,184	227,948	208,757	87,565	189,609
Debt Service:										
Principal	610,000	590,000	580,000	305,000	300,000	245,000	230,000	215,000	205,000	190,000
Interest and service charges	27,873	45,203	50,213	42,305	47,867	106,977	166,513	166,564	143,228	154,240
AEA flowthrough	455,726	448,336	380,255	361,604	354,443	321,953	305,072	308,090	322,323	319,891
Total	\$ 12,679,442	12,257,584	12,913,035	11,736,828	11,432,941	10,254,540	9,434,329	8,481,674	8,550,587	8,478,426

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 37,999
Food Distribution (non-cash)	10.555	FY11	33,231
National School Lunch Program	10.555	FY11	<u>199,153</u>
			<u>270,383</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	128,221
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	23,358
Education Jobs Fund	84.410	FY11	117,278
Improving Teacher Quality States Grants	84.367	FY11	35,797
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act Cluster:			
State Aid	84.394	FY11	56,698
Government Services	84.397	FY11	50,572
Grants for Assessments and Related Activities	84.369	FY11	7,085
Iowa Demonstration Construction Grant	84.215	FY11	25,000
Safe and Drug Free Schools and Communities - National Programs	84.184		650
Area Education Agency 267:			
Title III - English Language Acquisition - States Grant	84.365	FY11	1,190
Vocational Education - Basic Grants to States	84.048	FY11	10,921
Special Education - Grants to States	84.027	FY11	<u>53,676</u>
Total			<u>\$ 780,829</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Iowa Falls Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

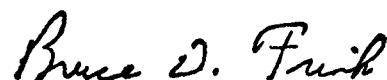
As part of obtaining reasonable assurance about whether Iowa Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Falls Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 5, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
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Plus:

- Over 30 years of Expertise and Experience
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- Extended Hours During Tax Season

To the Board of Education of
Iowa Falls Community School District:

Compliance

We have audited the compliance of Iowa Falls Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Iowa Falls Community School District's major federal programs for the year ended June 30, 2011. Iowa Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Iowa Falls Community School District's management. Our responsibility is to express an opinion on Iowa Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Falls Community School District's compliance with those requirements.

In our opinion, Iowa Falls Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Iowa Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Iowa Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Iowa Falls Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 5, 2012

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410 - Education Jobs Fund
 - CFDA Number 84.369 - Grants for Assessments and Related Activities
 - Clustered programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Falls Community School District did not qualify as a low-risk auditee.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.410 - Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 84.369 - Grants for Assessments and Related Activities
Federal Award Year: 2011
U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 10.555 - National School Lunch Program
10.553 - School Breakfast Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amounts in any of the four functions.

IV-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued) :

- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-H-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-11 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 310,213
Revenues/transfers in:		
Sales tax revenues	\$818,150	
Other local revenues	35,305	
Federal revenues	<u>25,000</u>	<u>878,455</u>
		1,188,668
Expenditures/transfers out:		
School infrastructure construction	349,818	
Equipment	195,728	
Transfers to other funds:		
Debt service fund	<u>338,960</u>	<u>884,506</u>
Ending balance		\$ <u>304,162</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued) :

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ <u>1.18</u>	\$ <u>338,960</u>

IV-M-11 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2011.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - Activity account deficits can be zeroed out, however, the District wants each activity to know its true balance in order to encourage fundraising efforts.

Conclusion - Response accepted.